

**LEMON GROVE SANITATION DISTRICT  
AGENDA ITEM SUMMARY**

**Item No.**       4    
**Mtg. Date**   May 1, 2018  
**Dept.**        Public Works

**Item Title:**    **Review of the Fiscal Year 2018-2019 Proposed Sewer Service Charge**

**Staff Contact:**    Mike James, Assistant City Manager / Public Works Director

**Recommendation:**

Provide direction to staff regarding the proposed Fiscal Year 2018-2019 sewer service charge.
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**Item Summary:**

On May 2, 2017, the Sanitation District Board (Board) approved a 5.75 percent rate increase for five consecutive years from Fiscal Year (FY) 2017-18 to FY 2021-22. At the time of approval, the Board expressed an interest in reducing the recommended rate increase if at all possible in the future. Staff is now returning to present findings from its most recent analysis to review the sewer service charge for FY 2018-19.

**Fiscal Impact:**

None.

**Environmental Review:**

- |   |   |
|---|---|
| <input checked="" type="checkbox"/> Not subject to review | <input type="checkbox"/> Negative Declaration           |
| <input type="checkbox"/> Categorical Exemption, Section   | <input type="checkbox"/> Mitigated Negative Declaration |

**Public Information:**

- |  |   |   |
|--|---|---|
| <input checked="" type="checkbox"/> None                     | <input type="checkbox"/> Newsletter article   | <input type="checkbox"/> Notice to property owners within 300 ft. |
| <input type="checkbox"/> Notice published in local newspaper | <input type="checkbox"/> Neighborhood meeting |   |

**Attachments:**

- A. Staff Report
- B. Dexter Wilson Engineering, Inc.  
    Memorandum dated April 19, 2018



# Attachment A

## LEMON GROVE SANITATION DISTRICT STAFF REPORT

Item No.   4  

Mtg. Date   May 1, 2018  

**Item Title:**   Review of the Fiscal Year 2018-2019 Proposed Sewer Service Charge

**Staff Contact:**   Mike James, Assistant City Manager / Public Works Director

### **Discussion:**

On May 2, 2017, the Sanitation District Board (Board) approved a 5.75 percent rate increase for five consecutive years from Fiscal Year (FY) 2017-18 to FY 2021-22. At the time of approval, the Board expressed an interest in reducing the recommended rate increase if at all possible in the future. Staff is now returning to present findings from its most recent analysis to review the sewer service charge for FY 2018-19.

Staff, working with a Dexter Wilson Engineering, Inc. (DWE), reviewed the District's current expenditures in relation to its budget, the anticipated charges from the City of San Diego for the transportation and treatment of sewage from the District, and any future pure water costs that have changed since the initial five year study. After reviewing of the District's revenues and expenditures, DWE determined in a memorandum (**Attachment B**) that the previously approved rate increase in FY 2018-19 may be reduced without significantly jeopardizing the fiscal health of the District through FY 2021-22.

Staff presents the Board with an option for consideration and discussion:

1. Decrease the recommended rate increase of 5.75 percent for FY 2018-19 to 2.875 percent; and
2. Maintain the 5.75 percent rate increase at 5.75 percent for FY 2019-20 to FY 2021-22.

Should the District Board approve staff's recommendation, staff will return to the District Board on May 15, 2018 with a recommendation to introduce and conduct a first reading of an ordinance reflecting the recommended rate changes.

### **Conclusion:**

Staff recommends that the Sanitation District Board provide direction to staff regarding the proposed Fiscal Year 2018-2019 sewer services charge.



## **DEXTER WILSON ENGINEERING, INC.**

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DEXTER S. WILSON, P.E.  
ANDREW M. OVEN, P.E.  
STEPHEN M. NIELSEN, P.E.  
NATALIE J. FRASCHETTI, P.E.  
STEVEN J. HENDERSON, P.E.

### **MEMORANDUM**

**151-007**

**TO:** Mike James, City of Lemon Grove

**FROM:** Dexter S. Wilson P.E., Dexter Wilson Engineering, Inc.  
Natalie Frascchetti P.E., Dexter Wilson Engineering, Inc.

**DATE:** April 19, 2018

**SUBJECT:** FY18/19 Sewer Service Charges for the Lemon Grove Sanitation District

### **BACKGROUND**

In December 2015, the Lemon Grove Sanitation District (District) retained the services of NBS to conduct a sewer rate study, the final version of which was presented to the District Board at its February 7, 2017 meeting. Subsequently, on May 2, 2017, the Board adopted Ordinance No. 28 to increase the sewer service charges at the rates identified as Alternative #1 in the NBS study. The Ordinance No. 28/Alternative #1 charges and corresponding annual percentage increases are shown in Table 1.

# Attachment B

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TABLE 1 ORDINANCE NO. 28 PROPOSED ANNUAL SEWER SERVICE CHARGES					
Item	Fiscal Year				
	2017-2018	2018-2019	2019-2020	2020-2021	2021-2022
Sewer Service Charge	\$ 584.98	\$ 618.61	\$ 654.18	\$ 691.79	\$ 731.57
Increase over Prior Year	5.75%	5.75%	5.75%	5.75%	5.75%

Ordinance No. 28 was adopted on May 2, 2017

## RECOMMENDATION

Since adoption of Ordinance No. 28, there have been changes to the baseline assumptions utilized in the expense projections with respect to the City of San Diego's (City) Pure Water Program. As this program represents a significant portion of the District's projected expenses, it is recommended to revise the percent increase of 5.75% (as adopted in Ordinance No. 28) to an increase of 2.875%, resulting in a Fiscal Year 18/19 Sewer Service Charge of \$601.80. The basis of the recommendation is described below.

### Item No. 1 – Pure Water Program Funding

It was previously contemplated that agencies would fund the project on a pay-as-you-go basis. The City is now pursuing bond funding of the program.

### Item No. 2 – FY19 Expenditure Projection

The NBS analysis assumed FY19 Metro expenses would be approximately \$3.9 million. Actual expenses are not what were anticipated as the current potential FY19 Metro expenses (FY19 Budget plus FY17 Audit) are projected to be approximately \$3.0 million.

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## Item No. 3 – Pure Water Program Costs

The total cost of the Pure Water Program has increased by approximately 13% from \$1,226,014,000 to \$1,387,841,280.

Although the decision to bond fund the Pure Water Program and the projection of FY19 Metro expenses decrease the District's short-term liabilities, the overall cost of the Pure Water Program has increased. Bond payments are anticipated to begin in the 2023; however, the City has not yet provided what the anticipated payment about will be. As such, it is recommended that the District proceed with a rate increase at half of the previously approved increase (a 2.875% increase over FY17/18 rather than 5.75%). The revision is summarized in Table 2.

TABLE 2 RECOMMENDED REVISION TO FY18/19 SEWER SERVICE CHARGE		
Item	Adopted for FY18/19 per Ord. No. 28	Proposed FY18/19
Sewer Service Charge (SSC)	\$ 618.61	\$ 601.80
% Increase to FY17/18	5.75%	2.875%

DSW:Nf;ps